

»»»»» Strategic Plan

2003-2007

California Franchise Tax Board

Members of the Board

Steve Westly, Chair

Carole Migden, Member

Steve Peace, Member



California Franchise Tax Board Strategic Plan 2003-2007



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Steve Westly, State Controller, Chair, Franchise Tax Board

Carole Migden, Chair, Board of Equalization

Steve Peace, Director, Department of Finance

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Our Organization

The Franchise Tax Board consists of California's State Controller, the Chair of the State Board of Equalization, and the Director of the Department of Finance. The staff of the Board (the department) is directed by an Executive Officer appointed by the Board and confirmed by the Senate. Our department is part of the State & Consumer Services Agency, and we are responsible for administering two of California's major tax programs: Personal Income Tax and the Corporation Tax. The Franchise Tax Board (FTB) also has responsibility for several non-tax programs and delinquent debt collection functions, including child support debt collections. In the fall of 1999, the Legislature also made FTB responsible for procurement, development and implementation of the statewide child support automation development project.

The FTB serves California by administering programs that bring in about \$38 billion annually, more than 53 percent of California's annual General Fund revenue (statistics for 2001-02 fiscal year). Each year the department processes more than 15 million personal income tax returns and one million business entity returns. We employ more than 6,000 people who work in our central offices in Sacramento, sixteen field offices located throughout California, and offices in Chicago, Houston, Manhattan, and Long Island.

For more information regarding our programs, workloads and employees, please see "FTB Facts at a Glance" at the end of this plan.

Our Mission

The purpose of the Franchise Tax Board is to collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost; serve the public by continually improving the quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness.

How We Measure Success

We strive towards a vision focused on the following key factors:

- We are customer-centered
- We fairly and effectively administer the tax law
- We are committed to building a strong organization
- We deliver efficient and high-quality business results for the public
- We protect taxpayer privacy and ensure security of taxpayer information

We measure our success by the degree to which we have achieved our vision. See the Vision of Success part of this plan for more information about these key factors.

Our Values

FTB's core values are:

- **Service Excellence**
- **Cooperation**
- **Communication**
- **Fairness and Honesty**
- **Courtesy and Respect**
- **Teamwork**
- **Creativity and Productivity**
- **Integrity and Trust**

Statement of Principles of Tax Administration

These Principles of Tax Administration were adopted in January 1998 by the three-Member Franchise Tax Board:

The primary function of the Franchise Tax Board is to administer the Revenue and Taxation Code. Tax policy for raising revenue is determined by elected officials.

With this in mind, it is the duty of the Franchise Tax Board to carry out that policy by correctly applying the laws enacted by the Legislature; to determine the reasonable meaning of various Code provisions in light of the legislative purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Franchise Tax Board, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is “protecting the revenue.” The revenue is properly protected only when the true meaning of the statute is ascertained and applied.

The Franchise Tax Board also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised when they have merit, never arbitrarily or for trading purposes. At the same time, employees should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Franchise Tax Board position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

Our Vision of Success

This Vision of Success describes our ideal future. In crafting this vision, we asked ourselves how our future would look if we were able to achieve everything that we would like to achieve as an organization. This vision is something for us to set our sights on and attaining it will take tremendous, cooperative effort and expertise from all of us at FTB. This vision can guide and inspire those efforts so that we move ever closer to our goal of satisfying our stakeholders.

FTB continues its march toward excellence, and remains focused on excellence in tax administration. We realize that we must continue to transform and move forward in order to satisfy the increasing expectations of all our stakeholders. As we work to provide excellent and cost-effective services, we must focus on the five key facets:

1. We are customer-centered throughout the organization. The public recognizes FTB as an agency that provides accessible, convenient and customized services. We take pride in providing the best possible service and routinely gather customer input to design and enhance the services we provide the public. Our wide range of services empowers our customers and business partners by providing them with access to the information they need and the capability to transact business 24 hours a day by using cost-effective self-service channels.
2. Stakeholders view FTB as fairly and effectively administering tax law. We view our relationship with taxpayers as a partnership in which FTB staff and taxpayers work together to resolve tax problems at the earliest point possible. Our primary role is one of providing information and assistance so taxpayers are able to comply with the State's tax laws. We treat each taxpayer fairly and appropriately while working to ensure the overall fairness of the tax system with our collection and audit resources. Recognizing that one of the best ways to encourage compliance is to make doing business with us easy for taxpayers, we have made filing of returns and paying of taxes as easy and straightforward as possible. We have also recognized that we need to be vigorous in requiring compliance with the law in order to ensure the overall fairness of the tax system.
3. We are committed to building a strong organization. Through the commitment of management and the involvement of staff, employee job satisfaction at FTB will remain at a high level. We value our employees and strive to invest in their growth by offering training and challenging job opportunities. Due to FTB's emphasis on effective change management, flexibility and responsiveness to organizational change are built into the organization. FTB managers strive to provide broad business goals and then empower staff to decide how best to achieve desired outcomes in ways that are entrepreneurial and innovative. Trust, respect, courtesy and cooperation and the practice of our values are the cornerstones of our interactions.
4. We deliver efficient and high-quality business results for the public. Our employees—at all levels—continue to identify and implement ways to reduce operating costs while maintaining or increasing the quality of our products and services, which sometimes means doing business in entirely new ways. We use data generated from our programs to make informed business decisions regarding where best to allocate resources across the FTB enterprise to ensure that we are reaching our goals and providing customers the services they expect from us.
5. We protect taxpayer privacy and ensure the security of taxpayer information. Taxpayers have confidence that all data sent to FTB is carefully protected by our people who put our policies into practice. Our networks and databases are secure, and FTB employees have the integrity and expertise to ensure that taxpayer data remains confidential. When taxpayers send us data, they have complete confidence that it will remain secure.

Progress Towards Transformation

In 2000 FTB set its sight on transformation. Our 2000 E-Government Blueprint and 2001 Strategic Plan both described transformation as a powerful motivating concept to help us focus with renewed vigor on our mission, values and principles of tax administration. For FTB, transformation goes beyond providing good customer service to taxpayers over the Internet, by telephone and in person. It is more than improving our relationship with taxpayers, their representatives, and others who do business with us. And it involves more than simply carrying out our nontax responsibilities with a high degree of effectiveness and fiscal efficiency.

For FTB, transformation is a broad strategic imperative that helps us recognize that we must change the way we conduct our business because the world in which we operate continues to change. Revenue and budgets expand and contract to reflect economic conditions. New laws are enacted requiring us to develop new approaches to implement the Legislature's and the Governor's mandates. New opportunities and risks must be explored so that we become more effective and efficient. The effort to recruit, develop and retain skilled employees continues to present challenges. These are just a few of the many factors that shape the ever-changing landscape in which we operate.

Looking back over our history, we can observe that FTB has kept pace with the changing times. As we've kept pace, we've also earned a reputation for excellence in tax administration. And in recent years we have been asked to take on significant new challenges beyond our core competency for tax administration, such as the California Child Support Automation System.

Our past achievements have prepared us for success in 2003 and beyond. This 2003-2007 Strategic Plan confirms and further defines the direction for transformation that will carry us forward over the next several years. More specifically, the goals and associated strategies included in this strategy-level document provide a solid foundation on which we will build our annual business plans. As these plans are developed, they will reflect not only the goals and strategies set forth in this Plan, but also the fiscal, revenue, and policy priorities set forth for the department by the members of the Franchise Tax Board, the Legislature and the Governor.

Our Strategic Goals, Strategies, and Key Success Indicators

Our Vision of Success drives the other fundamental components of our Strategic Plan, which are:

- Our strategic goals, which define where we are going;
- Our strategies, which define how we will get there; and
- Our key success indicators, which describe how we will measure our progress along the way.

Our Strategic Goals

Goal 1 *Become customer-centered*

Goal 2 *Promote fair and effective tax administration*

Goal 3 *Build a strong organization*

Goal 4 *Deliver efficient and high-quality business results*

Goal 5 *Protect taxpayer privacy and ensure security of taxpayer information*

On the following pages, we lay out our strategies for achieving each of these goals, as well as the key success indicators that will help us measure our progress in attaining them.



Strategic Goal 1: *Become Customer-Centered*

Strategies:

1. Communicate with customers to measure the level of satisfaction with current services and identify needs for future services, including those we can provide online to better meet their needs, while reducing our operating costs.
2. Anticipate customer needs and give them high priority when making business decisions; design business processes around customers.
3. Make it easier for customers to access and use products and services; empower them to resolve routine questions and issues through convenient, self-service methods while maintaining privacy and security.
4. Build into our organizational culture and performance measures an expectation of and reward for customer-centered behavior.
5. Give customers increased access to information and services while maintaining the highest levels of privacy and security.
6. Provide services in a manner that makes organizational boundaries transparent to customers.

Key Success Indicators:

- Customer service satisfaction levels of taxpayers and their agents.
- Response durations for services including call wait time for all FTB call centers, and refund turnaround time.
- Percentage of taxpayer calls resolved with a single contact.



Strategic Goal 2: *Promote Fair and Effective Tax Administration*

Strategies:

1. Provide fair and impartial treatment for every taxpayer.
2. Identify and implement approaches to resolve tax gap issues, such as abusive tax shelters.
3. Increase the ease of filing returns and paying taxes for taxpayers and their agents.
4. View our relationship with taxpayers and tax practitioners as a partnership in which FTB staff provides the information, tools, and assistance needed by taxpayers and their agents to resolve their tax problems.
5. Help taxpayers prevent problems before they occur and quickly resolve those mistakes that do occur.
6. Provide targeted taxpayer education and outreach to increase self-compliance across all economic sectors.
7. Evaluate and improve FTB forms, instructions, and notices to make them easier to understand and follow.
8. Address public concerns regarding intrusion by asking taxpayers only for that information that is relevant and reasonable.
9. Develop and continually improve systems, processes and activities necessary to identify non-compliance and gain compliance from taxpayers.

Key Success Indicators:

- Percentage of customers who feel that FTB is not unduly intrusive and makes their filing of returns and payment of tax as easy and fair as possible.
- Percentage of returns filed on time and error-free.
- Percentage of identified non-filers who file a subsequent year return.



Strategic Goal 3: *Build a Strong Organization*

Strategies:

1. Survey and communicate with managers and staff to measure their level of satisfaction and evaluate our excellence as an organization.
2. Treat employees with the same level of fairness and respect that FTB asks of employees as they deal with our external customers.
3. Provide a level of leadership development and support to FTB managers and supervisors sufficient to address the department's needs.
4. Identify and implement tactics to attract and retain highly skilled employees.
5. Provide opportunities and training for staff that help to build the skills necessary for individual and organizational success.
6. Undertake workforce-planning efforts to ensure continuity and maintain critical knowledge and skills among FTB managers and staff.
7. Integrate change management principles and practices into the FTB organization.
8. Trust and empower employees to make decisions about how they perform their work to achieve desired outcomes.
9. Identify and implement practices that improve communication throughout the organization.

Key Success Indicators:

- Percentage of staff who are satisfied in their jobs and rate FTB as doing well in areas related to employer excellence.
- Percentage of staff who rate themselves well in areas related to employee excellence.



Strategic Goal 4: *Deliver Efficient and High-Quality Business Results*

Strategies:

1. Use the data produced by Activity-Based Costing and other methodologies to accurately measure costs and benefits and improve efficiency.
2. Continue to identify and implement ways of reducing operating costs while assigning budgeted resources to their highest and best use.
3. Capitalize on opportunities to improve efficiency through process improvement and the implementation of technology-enabled processes and services.
4. Pursue partnerships with other state and federal organizations to deliver seamless, customer-centered products and services and leverage government resources to help reduce operating costs where possible.
5. Reduce total cost of system ownership by investing in infrastructure and integrating stovepipe systems.
6. Request and allocate resources based on the overall long-term benefits to our customers, our organization, and California as a whole.
7. Explore and implement new business models that add value for our customers and increase FTB's efficiency.
8. Provide employees with effective, integrated electronic tools that they need to do their jobs and manage their careers.
9. Plan and implement, refresh and replace FTB's technology infrastructure to ensure continuous high quality business results.
10. Institute initiatives to encourage employees to solve problems and improve business processes across FTB.
11. Move from paper-based processes to electronic service delivery channels where appropriate.
12. Provide incentives for taxpayers and practitioners to move from paper to electronic service options.

Key Success Indicators:

- Percentage of all taxpayer transactions processed electronically.
- Cost for processing and customer service activities, and return on investment measures for compliance/audit activities.



Strategic Goal 5: *Protect Taxpayer Privacy and Ensure Security of Taxpayer Information*

Strategies:

1. Continue to refine and implement privacy policies and principles that address use, protection, and retention of taxpayer information.
2. Ensure that each employee understands and carries out their role in protecting the privacy and security of information at FTB.
3. Establish and enforce security and information architectures, including standards relative to aging/retention of data in new systems and purge existing data in accordance with retention principles.
4. Educate taxpayers and third parties involved in tax preparation on taxpayer rights and appropriate practices for protecting the privacy of tax information.
5. Ensure that other agencies with access to FTB tax data adhere to the same level of confidentiality as FTB.
6. Safeguard confidential taxpayer information by adherence to existing and improved internal and external standards.
7. Use industry best practices for information security at all levels, from the firewalls to the desktops.
8. Ensure transaction integrity so that information is not subject to interception or tampering during transmission.
9. Use appropriate authentication for e-government services that involve the exchange of sensitive information.

Key Success Indicators:

- Percentage of customers who feel their personal data and privacy are secure with FTB.
- Percentage of all taxpayer transactions processed electronically.

How We Conduct Strategic Planning

FTB has been conducting strategic planning since 1981 and our planning process has evolved over the years to meet changing business needs. Beginning in 2000, we took a distinctly new approach when the FTB's senior management Strategic Planning Team (SPT) adopted a process called "Issue-Driven Planning," or IDP. The goal of IDP is to streamline the planning process and focus on specific strategic issues. Thus, it is well-suited to today's environment of continuous change. Through this process, "Issue Forums" are held as needed to respond to emerging strategic issues.

To balance the Issue Forums with long range visionary planning, we conduct an annual Vision of Success exercise. This process allows FTB to define its "preferred future," taking into account the perspectives of employees and our external stakeholders (see page 4 for the entire vision). It depicts how we look and function as an organization if we achieve our mission and accomplish all of our strategic goals. From the IDP process and discussions comes FTB's Strategic Plan, which defines our strategic direction for the next 3-5 years. This plan covers the period of 2003 to 2007.

This Strategic Plan represents only one element of planning at FTB. While the Strategic Planning Team sets forth the overall direction of the department through the strategic planning process, every area of the department is involved in developing the plans to make that vision a reality and every employee is an agent of change.

A critical component of all of the various planning efforts undertaken at FTB is the feedback that we receive from our stakeholders. We gather information from several stakeholder groups, including taxpayers, tax practitioners, and employees, to determine what they want and need from FTB. The methods of gaining feedback include surveys, focus groups, meetings and other means. The information collected then feeds into the planning process at all levels.

FTB Facts at a Glance

Here are some facts and figures that often interest our customers and other stakeholders. The facts reflect numbers as of December 2002. For more current information, please visit our strategic plan online. Statistical information regarding FTB programs is also available in the FTB Annual Report.

FTB History in Brief

In 1929, the Legislature created the office of the Franchise Tax Commissioner to administer California's new Bank and Corporation Franchise Tax Act. The name derived from the fact that a corporation doing business in California pays "for the privilege of exercising its corporate franchise within this state." This was the first agency created for tax administration since the adoption of the state constitution in 1879, a major departure from the accepted pattern of assigning new taxes to the Board of Equalization and the State Controller.

Six years later, California followed the federal lead and began requiring individuals to pay personal income tax. The Franchise Tax Commissioner declared the first filing year a success when 370,000 personal income tax returns were filed and \$11.8 million was collected. A reorganization in 1950 replaced the commissioner with the three-member Franchise Tax Board.

In the 1990's, the California Legislature expanded the scope of FTB's responsibilities by adding several nontax debt collection activities that the department now has incorporated into its overall mission. In 1999, the Legislature further expanded this nontax role by assigning to FTB the technology implementation responsibility for the California Child Support Automation Project. The Department of Child Support Services is FTB's client for this project.

FTB Budget

- FTB's budget for fiscal year 2002-03 totaled \$461.7 million. Of this amount, \$387.4 million is devoted to tax programs.
- FTB's budgeted staffing provides for 5,614 personnel years in 2002-03. This enables FTB to hire about 5,000 permanent full time employees and about 2,000 seasonal employees.
- Most of our budget is for personnel costs, with \$335 million proposed for salaries, wages, and benefits in 2002-03. An additional \$126.7 million is designated for operating expenses and equipment building lease/purchase costs.

Customer Service and Processing Statistics

- In 2002, we answered almost 2.3 million calls in our call center.
- In 2002, we received over 32 million visitors to our website, who accessed over 24 million forms.
- In 2002, we processed more than 15.4 million personal income tax (PIT) returns and nearly one million business entity returns.
- More than 3.3 million of the PIT returns processed in 2002 were filed electronically (including by telephone).

More than \$5.3 billion of the \$7.2 billion in payments from business entities in 2002 were made via electronic funds transfer.

For additional information regarding strategic planning
at the Franchise Tax Board or to obtain printed copies
of the plan or our plan-in-a-pamphlet, contact:

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For the most up-to-date version of the Franchise Tax
Board's Strategic Plan, visit our Website at:

www.ftb.ca.gov